

**Chart 2**  
**Analysis of Interstate Loop Costs and the CCL Charge**

	Description	Amount	Source
1	Residence Lines	10,170,306	Section 2.1 Appendix A**
2	Lifeline	912,283	Section 2.1 Appendix A**
3	Total Residence Lines	11,082,589	Line 1 + Line 2
4	Single-line Business	580,780	Section 2.1 Appendix A**
5	Lines Capped at \$3.50	11,663,369	Line 3 + Line 4
6	Multi-line Business	4,481,370	Section 2.1 Appendix A**
7	Total Access Lines	16,144,739	Line 5 + Line 6
8	Interstate Loop Costs (Common Line BFP)	\$1,278,074,258	NYNEX Separations Systems
9	Interstate Cost per Loop per month	\$6.60	Line 8 / Line 7 / 12
10	Annual EUCL Revenues (at \$3.50)	\$489,861,498	Line 5 * \$3.50 * 12
11	Annual EUCL Revenues (at \$6.00)	\$322,658,640	Line 6 * \$6.00 * 12
12	Special Access Surcharge Revenues	\$2,748,325	Tariff Review Plan**
13	Total EUCL Revenues	\$815,268,463	Line 10 + Line 11 + Line 12
14	Loop Cost not recovered through EUCL	\$462,805,795	Line 8 - Line 13
15	CCL Payphone Costs	\$53,000,000	NYNEX Separations System
16	LTS Payments (Costs)	\$43,874,728	NECA
17	Total CCL Revenues	\$423,147,908	Tariff Review Plan***
18	Loop cost recovered through CCL	\$326,273,180	Line 17 - Line 16 - Line 15
19	Loop cost not recovered through EUCL or CCL	\$136,532,615	Line 14 - Line 18

\*\* NYNEX 1996 Annual Access Filing; Transmittal No. 420; June 27, 1996.

\*\*\* Based on 1995 weighted rates.

Due to the fact that the price cap system of rate regulation has broken the linkage between prices and costs, there is no one-to-one relationship between the interstate revenue requirements and the interstate revenues that are recovered through the price cap regime. Chart 2 shows that the total interstate loop cost is about \$1.28 billion, with a monthly loop cost of \$6.60 per line. The EUCL charges of \$3.50 for residence and single-line business and \$6.00 for multi-line business recover about \$815 million. Of the

remainder of \$463 million interstate loop costs, it is estimated that about \$326 million are recovered through the CCL charge. The remaining \$137 million is not recovered either through the CCL charge or the EUCL charge.

70. If a portion of the CCL charge represents a contribution to the recovery of loop costs, please identify and discuss alternatives to the CCL charge for recovery of those costs from all interstate telecommunications service providers (e.g., bulk billing, flat rate/per-line charge).

As is shown above, most of the CCL charge represents the recovery of loop costs. The Commission's decision in Docket 96-98 to exclude the CCL charge from the rates for unbundled network elements after June 30, 1997, or earlier, and the realities of the competitive market will make it impossible for the LECs to continue collecting the usage-sensitive CCL charge to recover nontraffic sensitive loop costs. The emergence of competition was NYNEX's primary reason for seeking the USPP rate structure in LATA 132, where the CCL for multiline usage is recovered through a per-presubscribed line charge. However, there is a limit on the amount that can be recovered on a per-presubscribed line basis before interexchange carriers begin to have their customers (particularly large business customers) un-presubscribe their lines and use pre-programmed 10XXX dialing. Therefore, the Commission needs to adopt other mechanisms for recovering common line costs.

If the Commission does not want to eliminate the CCL charge by raising the EUCL charge or by incorporating CCL revenues in the universal service fund, it could recover these revenues from interexchange carriers through a bulk billing mechanism.

Bulk billing would be assessed on all interexchange carriers offering service in a market area based on the carrier's total market share (revenue or minutes). Such a procedure would ensure that all interexchange carriers offering service in the market would bear a proportionate share the recovery of these costs. However, the most competitively neutral mechanism would be the universal service fund.

### **Low-Income Consumers**

71. Should the new universal service fund provide support for the Lifeline and Linkup programs, in order to make those subsidies technologically and competitively neutral? If so, should the amount of the lifeline subsidy still be tied, as it is now, to the amount of the subscriber line charge?

Yes, the Act specifies that all interstate subsidies should be explicit and funded by all interstate telecommunications carriers. In the interstate arena, the amount of Lifeline subsidy still should be tied to the amount of subscriber line charge.

### **Administration of Universal Service Support**

72. Section 254(d) of the 1996 Act provides that the Commission may exempt carriers from contributing to the support of universal service if their contribution would be "de minimis." The conference report indicates that "[t]he conferees intend that this authority would only be used in cases where the administrative cost of collecting contributions from a carrier or carriers would exceed the contribution that carrier would otherwise have to make under the formula for contributions selected by the Commission." What levels of administrative costs should be expected per carrier under the various methods that have been proposed for funding (e.g., gross revenues, revenues net of payments to other carriers, retail revenues, etc.)?

The conference report makes it clear that a carrier will be exempted from contributing to the universal service fund only if the administrative costs of collecting its share of the fund would be greater than the universal service revenues it collects. Under

the NYNEX proposal, contributions for the Federal fund will be based on interstate retail revenues (see Answer 27). Each contributor's interstate universal service payment would be based on a pro rata share of its interstate retail revenues. All interstate carriers would apply the same percentage surcharge, calculated by the fund administrator, to their interstate customers' bills. The incremental cost of modifying the billing system and adding a surcharge line in a customer's bill is very small. Therefore, the cost to the carrier to administer the surcharge and the cost to the fund administrator of determining the surcharge and collecting surcharge revenues from the carriers, is likely to be less than the funds that are received in almost all cases. Therefore, no interstate carrier should be exempted from contributing to the fund.

## CERTIFICATE OF SERVICE

I hereby certify that copies of this pleading were mailed this date, first class postage prepaid, upon the persons listed on the attached service list.



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Joseph Di Bella

Dated: August 2, 1996

Mr. Alex Belinfante  
Federal Communications Commission  
2033 M Street, NW  
Room 500  
Washington , DC 20554

Ms. Martha Hogerty  
Public Counsel for the State of Missouri  
P.O. Box 7800  
Harry S. Truman Building, Room 250  
Jefferson City , MO 65102

Ms. Eileen Benner  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise , ID 83720-0074

The Reed Hundt Chairman  
Federal Communications Commission  
1919 M Street NW  
Room 814  
Washington , DC 20554

Mr. Charles Bolle  
South Dakota Public Utilities Commission  
500 East Capital Avenue  
State Capital  
Pierre , SD 57501-5070

The Julia Johnson Commissioner  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd.  
Tallahassee , FL 32399-0850

The Rachelle Chong Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Room 844  
Washington DC 20554

Ms. Lorraine Kenyon  
Alaska Public Utilities Commission  
1016 West Sixth Avenue  
Suite 400  
Anchorage , AK 99501

Ms. Deborah A. Dupont Joint Board Staff Chair  
Federal Communications Commission  
2000 L Street, NW  
Room 257  
Washington , DC 20036

Ms. Debra M. Kriete  
Pennsylvania Public Utilities Commission  
P.O. Box 3265  
Harrisburg , PA 17105-3265

Mr. Mark Long  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Gerald Gunter Building  
Tallahassee , FL 32399-0850

Mr. Michael A. McRae  
D.C. Office of the People's Counsel  
1133 15th Street, N.W.  
Suite 500  
Washington , DC 20005

Mr. Sam Loudenslage  
Arkansas Public Service Commission  
PO Box 400  
Little Rock , AR 72203-0400

Mr. Terry Monroe  
New York Public Service Commission  
Three Empire Plaza  
Albany , NY 12223

Ms. Sandra Makeeff State Joint Board Staff  
Iowa Utilities Board  
Lucas State Office Building  
Des Moines IA 50319

Mr. Mark Nadel  
Federal Communications Commission  
1919 M Street, NW  
Room 542  
Washington , DC 20554

Mr. Philip F. McClelland Assistant Consumer  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg PA 17120

The Sharon L. Nelson Chairperson  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia , WA 98504-7250

The Kenneth McClure Vice Chairman  
Missouri Public Service Commission  
301 West High Street  
Suite 530  
Jefferson City MO 65102

The Susan Ness Commissioner  
Federal Communications Commission  
1919 M Street, NW  
Room 832  
Washington , DC 20554

Mr. Lee Palagyi  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia , WA 98504-7250

Mr. Jonathan Reel  
Federal Communications Commission  
2000 L Street, NW  
Room 257  
Washington , DC 20036

Mr. Paul Pederson State Staff Chair  
Missouri Public Service Commission  
Post Office Box 360  
Truman State Office Building  
Jeffeson City MO 65102

Mr. Brian Roberts  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco , CA 94102-3298

Ms. Jeanine Poltronieri  
Federal Communications Commission  
2000 L Street, NW  
Suite 257  
Washington DC 20036

The Laska Schoenfelder Commissioner  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre , SD 57501

Mr. Larry Povich  
Federal Communications Commission  
2033 M Street, NW  
Room 500  
Washington , DC 20554

Mr. Gary Seigel  
Federal Communications Commission  
2000 L Street, NW  
Room 812  
Washington , DC 20036

Mr. James Bradfo Ramsay Deputy Assistant General  
National Association of Regulatory Utility Commissioners  
1201 Constitution Avenue, NW  
Washington , DC 20423

Ms. Pamela Szymczak  
Federal Communications Commission  
2000 L Street, NW  
Suite 257  
Washington , DC 20036

Mr. Whiting Thayer  
Federal Communications Commission  
2000 L Street, NW  
Suite 812  
Washington, DC 20036